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April 8, 1996

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
Room 222
1919 M Street, N. W.
Washington, DC 20554

DOCKET FILE COPY ORIGINAL

Re: In the Matter of Notice of Proposed
Rule Making and Order Establishing
Joint Board

CC Docket No. 96-45

Dear Mr. Caton:

Enclosed herewith for filing with the Commission are the original and four copies of the Rural Iowa Independent Telephone Association's (RIITA) comments in the above-captioned matter.

Please acknowledge receipt hereof by affixing a notation on the duplicate copy of this letter furnished herewith for such purposes and remitting same to bearer.

Very truly yours,

RIITA

Howard Hunt, President

Mr. or Encls rec'd
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**Before the
Federal Communications Commission
Washington, D.C. 20554**

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COMMUNICATIONS

In the Matter of

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Federal-State Joint Board on

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Universal Service

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CC Docket No. 96-45

**COMMENTS
OF THE
RURAL IOWA INDEPENDENT TELEPHONE ASSOCIATION**

INTRODUCTION:

The Rural Iowa Independent Telephone Association (RIITA) submits these comments in response to the Commission's Notice of Proposed Rule Making and Order (Notice) regarding the Federal-State Joint Board on Universal Service.

RIITA is a trade association of 131 independent telephone companies serving rural Iowa. Its membership consists of both commercial and cooperative companies ranging in size from approximately 150 to 6,000 access lines served. Many of the RIITA members receive Universal Service Fund (USF) assistance and all receive Dial Equipment Minute (DEM) weighting assistance. These assistance programs have allowed member companies to provide high quality, low cost telecommunications service to its subscribers. As its members are truly "small" telecommunications companies, RIITA is extremely concerned with the potential impact of many of the items discussed in the Notice. RIITA members are acutely aware of the importance of universal service, since its members were formed to provide telecommunications service in areas that the larger companies were not willing to serve due to the high cost involved.

The Notice requests comments on a number of questions. We do not intend to respond to each specific request, but instead will address our responses to the major categories of the Notice.

COMMENTS:

II. Goals and Principles of Universal Service Support Mechanisms:

The Telecommunications Act of 1996 (1996 Act) established seven principles that the Joint Board is mandated upon which to base its universal service policies. It seems clear the intent of the Congress is to **FIRST**, preserve and advance universal service and **SECONDLY**, to foster a pro-competitive environment. The members of RIITA have embraced the concept of universal service, as defined in the Communications Act of 1934, and continue to embrace the universal service concept as expanded in the 1996 Act.

A core belief of the members of RIITA is that public sector entities (i.e. Federal, State, Local governmental units) should not enter into competition with the private sector. Accordingly, it is RIITA's position that support for the preservation and advancement of universal service should be provided for private sector entities only. This position would appear to be consistent with one of the fundamental principles of the 1996 Act. As outlined in paragraph 8 of the Notice:

"a fundamental underlying principle of the 1996 Act is the Congressional desire "to provide for a ... national policy framework designed to accelerate rapidly private sector deployment of advanced telecommunications..."

One of the universal service principles specifically identified in the 1996 Act relates to access in rural and high cost areas to telecommunications and information services. Consistent with this principle, RIITA supports the approach that any universal service mechanisms developed should be based on a cost methodology and that any support should be provided at the level at which the investment in facilities occurred.

III. Support for Rural, Insular, and High Cost Areas and Low-Income Consumers:

B. Support for Rural, Insular, and High Cost Areas:

1. What Service to Support:

RIITA concurs with the "core" services as listed in paragraph 16 of the Notice and suggests that directory assistance and directory listings (white pages listing) also be included as core services. It should be noted that many states already have addressed some of the core services and have implemented their own mechanisms to generate the funding necessary to provide these services. As an example, in Iowa a "surcharge" is billed to each end user in a county which provides E911 service. This surcharge is then remitted to the county agency responsible for maintaining the E911 service. In addressing how universal service assistance will be determined, the Joint Board will need to include existing mechanisms into their calculations of support levels, etc.

2. How to Implement:

The question was raised -- if universal service support was provided for each proposed service, would it act as a barrier to entry by competitors? The core services outlined in the Notice are of such a nature that any provider of telecommunications services should be able to provide them, and making support available for all of the core services may actually enhance the creation of a competitive environment. Also, it would be inconsistent with the universal service concept to not provide support for those services considered to be "core" telecommunications services.

2. a. How to Determine "Affordable" and "Reasonably Comparable:"

In addressing the question of "Affordable" and "Reasonably Comparable," it is important to consider not only the cost to the subscriber, but also the scope of calling area available to the subscriber. In its discussions related to these topics, RIITA encourages the Joint Board to consider the following items;

- a. Cost of initial installation of service and subsequent service costs;
- b. Monthly local service rates; and
- c. Scope of calling area.

It should be noted that while urban subscribers may have a higher local service rate, for that rate the urban subscriber may be able to call in excess of 100,000 other residential and business consumers. In rural areas, the subscriber may have a calling scope of less than 1,000 other subscribers, and in many rural areas calls to the school, health care provider, or other institutions are often toll calls.

2. b. How to Calculate the Subsidy:

It is RIITA's position that support be determined on a combination of the following inputs: (1) provision of required services; (2) investment in facilities necessary to provide the required services; and (3) the operating costs incurred in providing the services. As noted in paragraph 24 of the Notice, one of the general principles included in the 1996 Act is providing support for high cost areas. If a major principle relates to providing support to high cost areas, it would seem that basing support levels on something that excludes costs elements would be inconsistent with the 1996 Act.

DEM Weighting - There has been an abundance of evidence presented to support not only the theory, but also the fact that switching costs for smaller LEC's are indeed higher than the switching costs of the larger LEC's. This is a high cost that is consistent with all small LEC's and is independent of the loop cost elements of high cost, which vary from small LEC to small LEC. RIITA realizes that this method of high cost assistance is not as visible as the existing Universal Service Fund, but this assistance has been an essential element in allowing the small LEC's in Iowa to currently provide the advanced telecommunications services required by the 1996 Act. Not only are the small LEC's providing advanced services, but as supported by a study commissioned by the Iowa Department of Commerce - Utilities Division in 1989, the members of RIITA are providing a higher quality of service to its rural subscribers than the larger LEC's in Iowa provide to their rural subscribers.

The 1996 act states, "[t]here should be specific, predictable and sufficient Federal and State mechanisms to preserve and advance universal service" (Section 254 (b)(5)). The provisioning of telecommunications service throughout the country is extremely diverse and is driven by multiple factors. If a proxy model could be adequately developed, it would more than likely be so complex that it would be to inefficient to utilize.

Based on our review of the proposed proxy models, and reviews performed by other entities, it would appear these proxy models would be inconsistent with the principles established in the 1996 Act. As stated earlier, RIITA supports the use of specific inputs to determine not only who would receive support, but the level of support received.

3. Who Is Eligible for Support:

The question of who is eligible to receive universal service has already been addressed in the law (Section 214(e)) and is limited to those entities that have been designated by the appropriate State commission as a "common carrier[s]" designated as "eligible telecommunications carrier[s]." The 1996 Act clearly mandates each State to establish who is eligible within that State to receive universal service support and clearly identifies an eligible carrier to offer "the services that are supported by Federal universal service support mechanisms under Section 254(c)."

The establishment of service areas may vary from state to state, although existing study areas are probably a fair definition of existing service areas. Many States have already addressed the concept of having multiple providers of service in the same service area. In Iowa each LEC has a certified service area(s), as filed with the State commission, and also has the right to request to serve an existing service area. This allows for competition to occur in any service area, since the State commission can grant multiple "certifications" for a single service area.

C. Support for Low-Income Consumers:

As indicated in the Notice, the subscriber rate for low-income consumers is lower than the subscriber rate for other consumers. It is the experience of the members of RIITA that the forced disconnection from service is probably the leading cause of this lower- than-average subscriber rate. Unfortunately, it is also the experience of the RIITA members that the majority of abuse of service occurs from low-income subscribers. We could generate multiple examples of subscribers generating large toll balances in a short period of time and subsequently being unable to pay for these services. These subscribers are then subsequently disconnected, due to non-payment of their bills. Many of the members of RIITA provide the ability of these low-income subscribers to maintain basic local service, by requiring the "subscription" to toll and 900/976 blocking services (at no cost to the subscriber), or at a minimum provide the ability to access emergency services through E911.

Also as noted in the Notice, there currently exists to federal programs designed to provide assistance to low-income consumers to establish access to telecommunications. These programs (Link up America and the Lifeline Assistance Plan) seem to be working, as they relate to the initial installation of service. If, as indicated by the actual experience of RIITA members and as discussed in paragraph 56 of the Notice, it's the abuse of toll services that is the major cause of a lower than average subscriber rate for low-income consumers, perhaps these programs should be modified to require the recipients to agree to some form of toll restriction in order to be eligible for assistance.

As noted earlier in these comments, RIITA as an organization is wholly supportive of the concepts of universal service, but we feel that neither the LEC's or the Interexchange Carriers should be required to carry the burden of the cost of abuse of this service. After all, this cost is eventually passed on to the other consumers through local and toll costs.

D. Ensuring that Supported Services for Rural, Insular, and High-Cost Areas and Low-Income Consumers Evolve:

Quality of service can be a very abstract idea, subject to a multitude of definitions and interpretations. The established telecommunications industry has done a excellent job in developing minimum technical standards. Also, many states have adopted minimum technical standards that all providers of telecommunications services must follow.

IV. Schools, Libraries, and Health Care Providers:

As indicated in the introduction to our comments, the members of RIITA serve many of the less populated areas in Iowa, and accordingly are an important provider of services in these areas. RIITA members take this responsibility very seriously and are very active in the communities and rural areas they serve.

Following are the positions taken by RIITA as they relate to universal service support for advanced services to schools, libraries and health care providers:

- a. Consistent with the intent of the 1996 Act, any universal service support for this specific "class" of subscribers should be provided to **PRIVATE** providers of telecommunications services. The entities eligible for support should be those entities that have been designated as "eligible telecommunications carriers" by the appropriate state commission.
- b. Because this aspect of universal service involves an expansion beyond the core telecommunications services, support should be provided from a separate fund.
- c. As with the core services, support for these advanced services should be based on inputs which include:

1. provision of required services;
2. investment in facilities necessary to provide the services; and
3. the operating costs incurred in providing the services.

d. In accordance with the 1996 Act, any entity receiving service supported through a universal service support mechanism, should **NEVER** be allowed to sell, resell or transfer for any consideration, these services.

The intent of the 1996 Act, as it relates to providing advanced services to schools, libraries and health care providers, is abundantly clear in that universal service support is to be provided for educational and health care purposes only. RIITA does not believe that the restriction from selling, reselling or transferring for any consideration, services provided through universal service support mechanisms, will discourage the development of networking partnerships between schools, libraries and other entities.

V. Enhancing Access to Advanced Services for Schools, Libraries, and Health Care Providers:

The establishment of universal service support mechanisms for advanced telecommunications services to schools, libraries and health care providers, combined with continuing technological advances and the fostering of a pro-competitive environment, will help in enhancing access to advanced services. As these factors work together, the ability to deliver and the demand for advanced services will become more widespread.

VI. Other Universal Service Support Mechanisms:

It seems inconsistent with the intent of the 1996 Act and the basic concept of universal service to pass on additional costs directly to the end users.

RIITA disagrees with the concept that the current CCL charge is a universal service support flow. CCL charges, along with all access elements, is an established inter-company compensation system designed to compensate the LEC for the use of existing facilities by the Inter-exchange Carrier to "access" the end user. Also, the current CCL charge is certainly not imposed only on interstate interexchange long distance. In Iowa this charge is also imposed on intrastate interexchange long distance.

This docket does not seem to be the appropriate format to allow "many interested persons" to discuss access charges. If the CCL rate is determined to be a universal support flow, then the same argument could be used for all access elements. Reduction in access charges to Inter-exchange Carriers does not guarantee that the cost of long distance will be comparatively reduced.

VII. Administration of Support Mechanisms:

RIITA feels the administration of the universal service support fund(s) should be performed by an impartial organization on the Federal level.

CONCLUSION:

RIITA and its members are ready to tackle the many new challenges which the 1996 Act brings to the telecommunications industry and wishes to thank the Commission for the opportunity to provide our input to the vast question of universal service support.

As with current telecommunications services, we at RIITA are convinced that it will be the rural independent telephone companies that will shoulder the responsibility of providing advanced telecommunications services to not only rural schools, libraries, and health care providers, but also to the rural residential and business subscribers. The rural independent telephone companies have already demonstrated the willingness to make the investment in equipment and facilities necessary to provide "state-of-the-art" telecommunications services. Much of this investment has been made possible with the assistance received through the existing universal service support mechanisms.

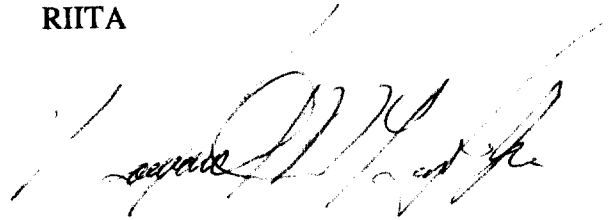
The following is a summary of the key positions of the Rural Iowa Independent Telephone Association:

- 1) Consistent with the 1996 Act, any universal service support must be provided to private sector entities only.
- 2) Any universal support mechanism, either existing or newly developed, must provide the support at the level at which the investment to provide services has occurred.
- 3) Any universal support mechanism should be based on some form of cost methodology, as the use of proposed proxy models would be inconsistent with many of the key principles of the 1996 Act.
- 4) Separate universal service support funds should be developed for the two tiers of universal service included in the 1996 Act ((a) core telecommunications services to be provided to all subscribers, and (b) advanced telecommunications services to be provided to schools, libraries and health care providers).
- 5) Administration of universal service support fund(s) should be performed by an impartial organization on a Federal level.

CC Docket No. 96-45; comments submitted by the Rural Iowa Independent Telephone Association

Respectively submitted,

RIITA

A handwritten signature in black ink, appearing to read "Howard Hunt", is written over a horizontal line.

Howard Hunt, President
P.O. Box 10
Dixon, Iowa 52745

April 8, 1996